

Pro Forma Transaction Analysis

Sensitivity Analysis: WATER Stock Price vs. Cash Consideration

Accretion/Dilution Analysis

(\$ in millions, except per share data)

2003 Accretion/Dilution Analysis						
Cash Consideration	WATER Stock Price					
	\$70.00	\$100.00	\$114.59	\$120.00	\$140.00	\$160.00
\$450.0	(6.9%)	(2.8%)	(1.5%)	(1.1%)	0.1%	1.1%
500.0	(6.4)	(2.5)	(1.3)	(0.9)	0.3	1.2
700.0	(4.2)	(1.2)	(0.2)	0.1	1.0	1.7
900.0	(2.0)	0.2	0.8	1.1	1.7	2.1
1,100.0	0.5	1.6	1.9	2.0	2.4	2.6
1,300.0	3.1	3.1	3.1	3.1	3.1	3.1

2004 Accretion/Dilution Analysis						
Cash Consideration	WATER Stock Price					
	\$70.00	\$100.00	\$114.59	\$120.00	\$140.00	\$160.00
\$450.0	(3.1%)	1.2%	2.5%	2.9%	4.2%	5.2%
500.0	(2.5)	1.6	2.8	3.2	4.5	5.4
700.0	(0.1)	3.1	4.1	4.4	5.4	6.1
900.0	2.6	4.8	5.5	5.7	6.3	6.8
1,100.0	5.3	6.5	6.9	7.0	7.3	7.6
1,300.0	8.3	8.3	8.3	8.3	8.3	8.3

Synergies to Break-Even

2003 Break-Even Additional Pre-Tax Synergies Analysis						
Cash Consideration	WATER Stock Price					
	\$70.00	\$100.00	\$114.59	\$120.00	\$140.00	\$160.00
\$450.0	\$85.6	\$33.5	\$18.0	\$13.2		
500.0	78.6	29.5	14.9	10.4		
700.0	50.4	13.6	2.6			
900.0	22.4					
1,100.0						
1,300.0						

2004 Break-Even Additional Pre-Tax Synergies Analysis						
Cash Consideration	WATER Stock Price					
	\$70.00	\$100.00	\$114.59	\$120.00	\$140.00	\$160.00
\$450.0	\$44.6					
500.0	35.8					
700.0	0.7					
900.0						
1,100.0						
1,300.0						

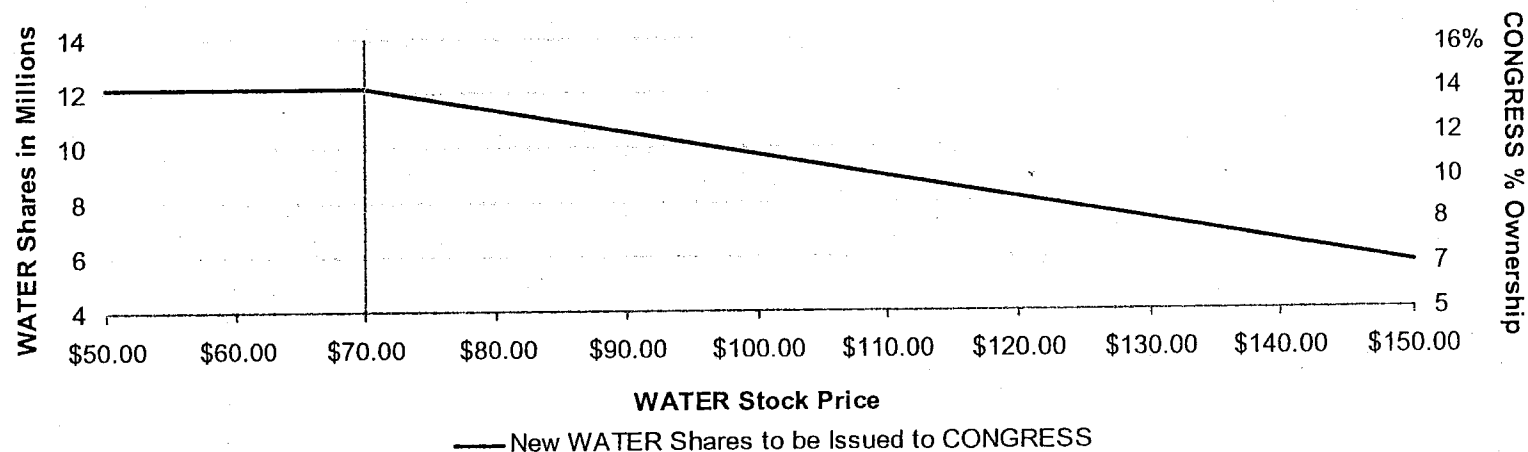
Note: Shaded boxes represent projected WATER stock price at time of closing.



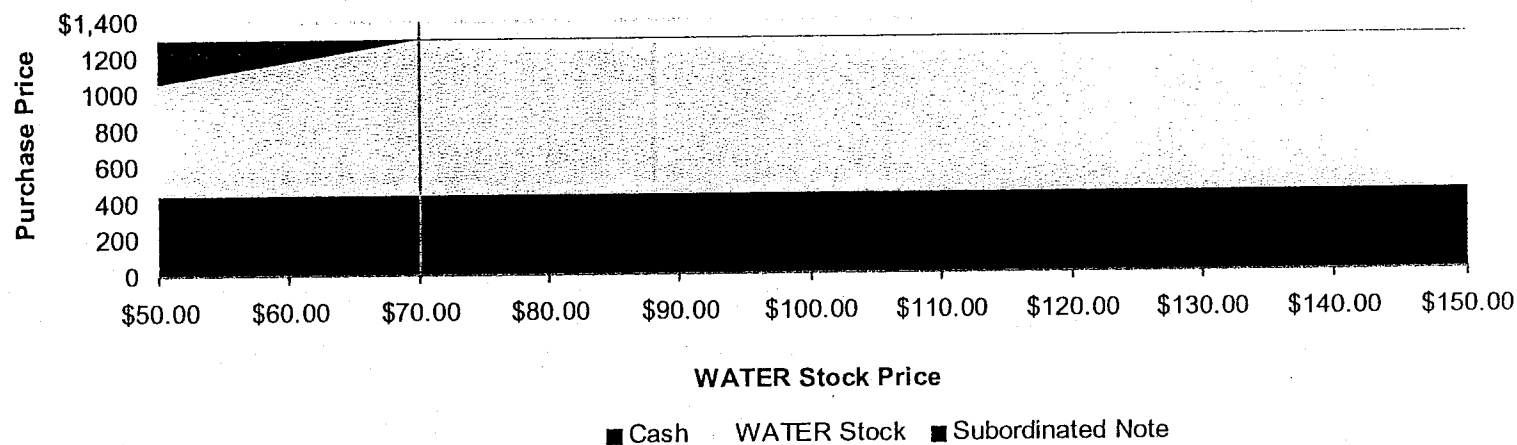
Pro Forma Transaction Analysis

Transaction Consideration Mix (a)

(Shares in Millions)



(\$ in Millions, Except Per Share Data)



- (a) Assumes cash consideration fixed at \$450 million.
 (b) Assumes 74.3 million fully diluted shares outstanding for WATER (pro forma for RightCHOICE acquisition).



WATER Valuation Considerations

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WATER Valuation Considerations

Current Trading Statistics

TRADING STATISTICS	
	WATER
Price Per Share (11/14/01)	\$114.59
52-week-high (intra-day)	\$121.25
52-week-low (intra-day)	\$81.65
Diluted Shares Outstanding ^(a)	74.3
Equity Value	\$8,519.2
Plus: Total Debt	1,336.1
Enterprise Value	<u>\$9,855.3</u>
5-Year EPS Growth Rate ^(b)	15.0%
2001E P/E to Growth	120.9%

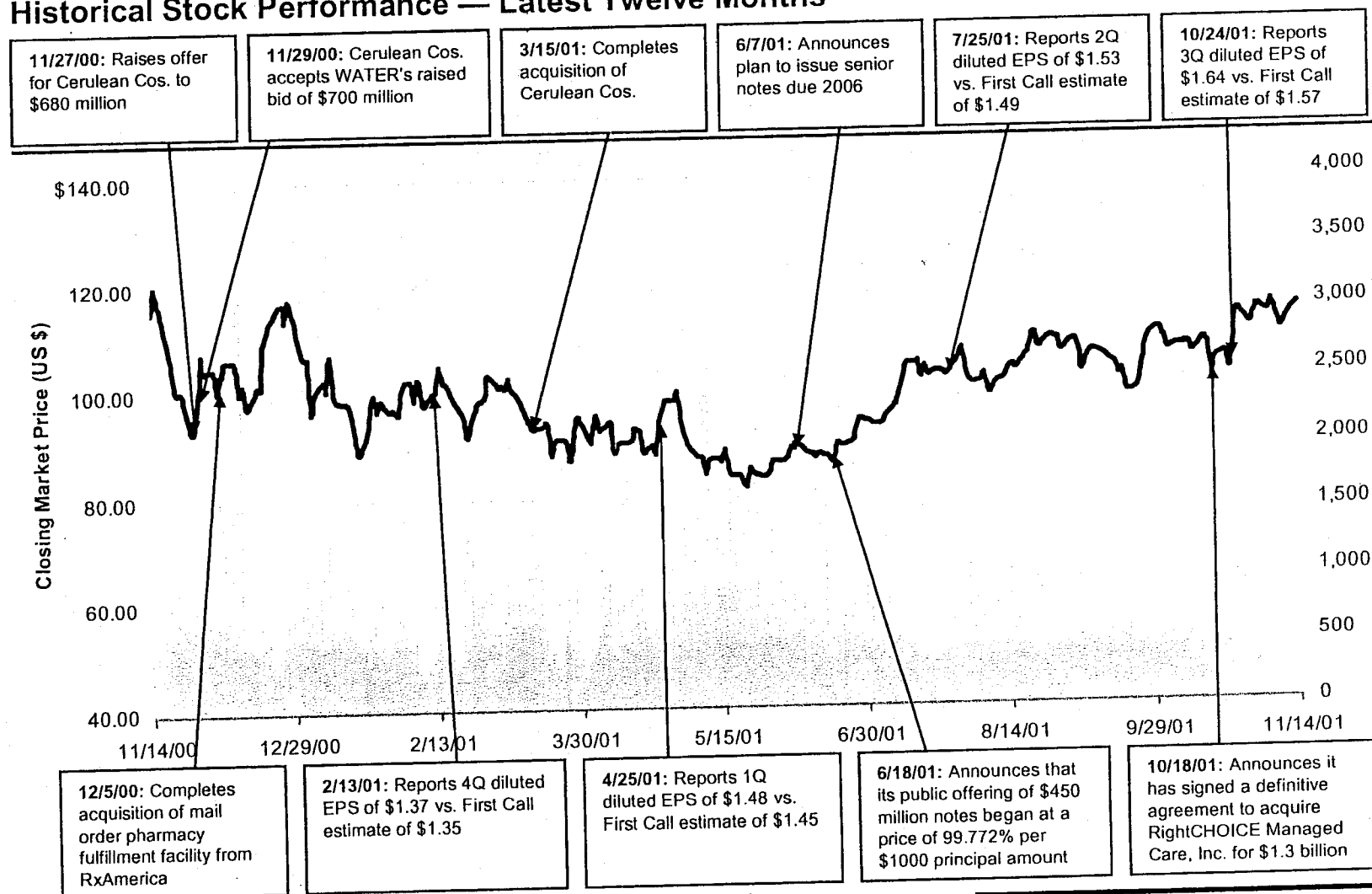
TRADING MULTIPLES				
Actual/Projected Financial Results ^(c)	Revenue ^(b)	EBITDA ^(b)	EBIT ^(b)	EPS ^(b)
FY 2001E	\$13,187.0	\$951.0	\$830.2	\$6.32
FY 2002P	15,112.0	1,121.8	1,010.5	7.62
FY 2003P	17,241.0	1,220.1	1,093.5	8.82
Actual/Projected Multiples	Enterprise Value as a Multiple of:			P/E
	Revenue	EBITDA	EBIT	
FY 2001E	0.75 x	10.4 x	11.9 x	18.1 x
FY 2002P	0.65	8.8	9.8	15.0
FY 2003P	0.57	8.1	9.0	13.0

- (a) As per Form 10-Q dated June 30, 2001 and Form 10-K dated December 31, 2000. Diluted shares calculated pursuant to the treasury stock method. Pro forma for RightCHOICE acquisition.
- (b) Projections and 5-year EPS growth rate as per WATER Management. Projected data is pro forma for RightCHOICE acquisition.
- (c) Excludes nonrecurring items.



WATER Valuation Considerations

Historical Stock Performance — Latest Twelve Months



TRADING PRICE ANALYSIS

Closing (11/14/01)	\$114.59
High (11/15/00)	121.25
Low (5/23/01)	81.65
Average (30 Day)	110.07
Average (60 Day)	107.90
Average (12 Month)	99.55

TRADING VOLUME ANALYSIS

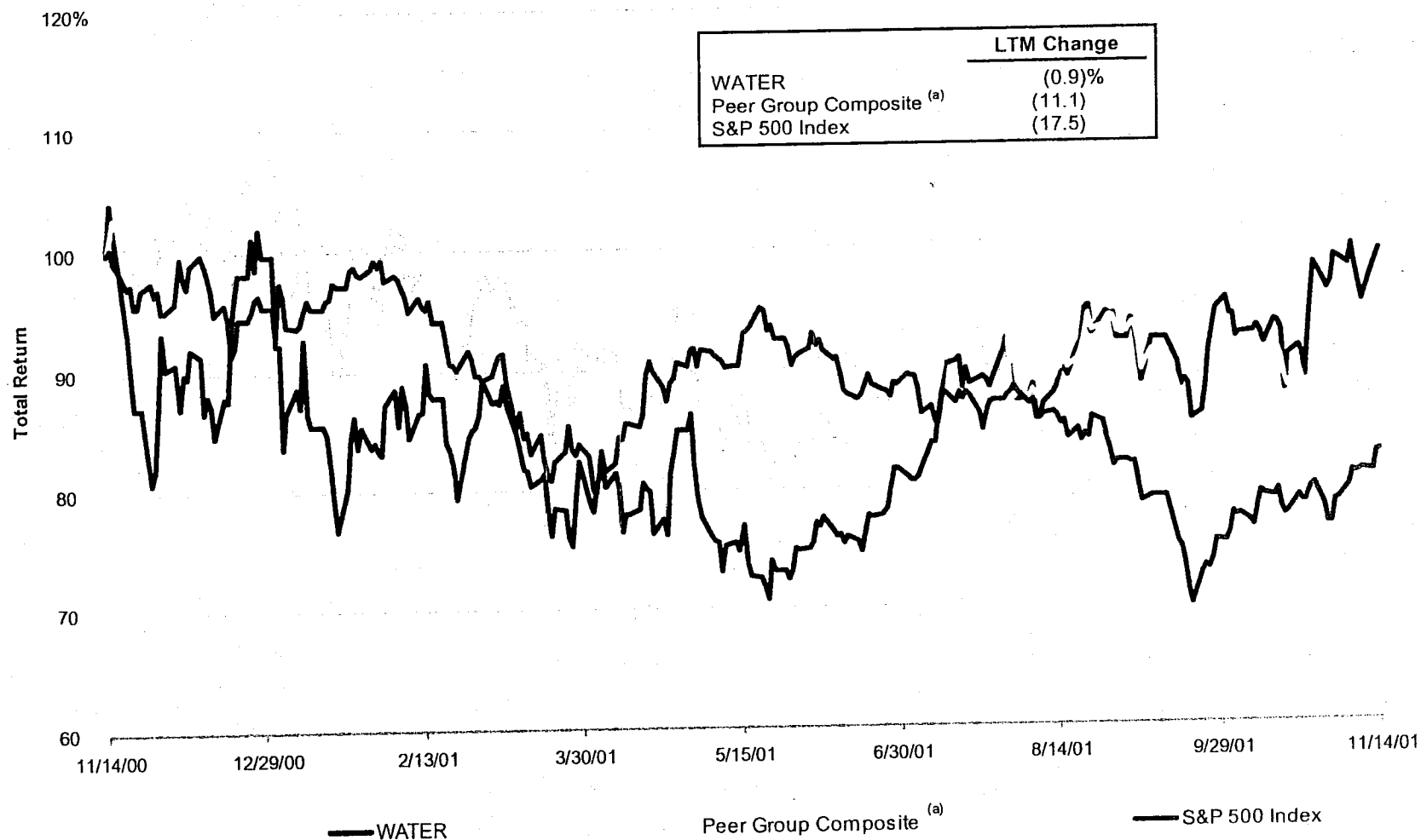
Closing (11/14/01)	494,100
High (10/18/01)	23,133,300
Average (6 Month)	753,966
Average (12 Month)	782,815

Banc of America Securities



WATER Valuation Considerations

Relative Historical Stock Performance — Latest Twelve Months



Source: FactSet Research Systems Inc.

(a) Peer Group Composite is equal-weighted and consists of Aetna Inc., Cigna Corp., Humana Inc., UnitedHealth Group Inc., Health Net Inc., Oxford Health Plans Inc. and Trigon Healthcare Inc.

Banc of America Securities



WATER Valuation Considerations

Financial Summary

(\$ in millions, except per share data)

Fiscal Years ending December 31,	Historical ^{(a)(b)}				Projected ^(d)			CAGR 2000 – 2003
	1998	1999	2000	LTM ^(c)	2001	2002	2003	
Operating Revenue	\$ 6,368.8	\$ 7,326.2	\$ 9,035.5	\$ 11,219.6	\$ 13,187.0	\$ 15,112.0	\$ 17,241.0	24.0%
% Growth	—	15.0%	23.3%	—	45.9%	14.6%	14.1%	
EBITDA	501.4	617.1	709.6	861.1	951.0	1,121.8	1,220.1	19.8%
% of Operating Revenue	7.9%	8.4%	7.9%	7.7%	7.2%	7.4%	7.1%	
EBIT	446.8	548.3	634.2	801.6	830.2	1,010.5	1,093.5	19.9%
% of Operating Revenue	7.0%	7.5%	7.0%	7.1%	6.3%	6.7%	6.3%	
Net Income	319.5	297.2	342.3	394.4	469.7	566.8	655.6	24.2%
% of Operating Revenue	5.0%	4.1%	3.8%	3.5%	3.6%	3.8%	3.8%	
Earnings per Share	\$4.55	\$4.38	\$5.29	\$6.02	\$6.32	\$7.62	\$8.82	18.6%
% Growth	—	-3.7%	20.8%	—	19.4%	20.7%	15.7%	

	At December 31, 2001 ^(d)	
	\$	%
Cash & Investment Securities	\$ 4,947.9	—
Short-term Debt	0.0	0.0%
Long-term Debt	1,336.1	30.6%
Total Debt	\$ 1,336.1	30.6%
Common Stockholders' Equity	3,033.7	69.4%
Book Capitalization	\$ 4,369.8	100.0%
Total Assets	\$ 8,890.3	

(a) As per Form 10-K dated December 31, 2000.

(b) Adjusted to exclude unusual and nonrecurring items.

(c) As per press release dated October 24, 2001.

(d) Projections as per WATER Management. Projected data is pro forma for RightCHOICE acquisition.

Banc of America Securities

